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No. 98-377

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

Bruce A. Lehman,
Commissioner of Patents and Trademarks,
Petitioner

v.

Mary E. Zurko, Thomas A. Casey, Jr., Morrie Gasser, Judith S. Hall, Clifford E. Kahn, Andrew H. Mason, Paul D. Sawyer, Leslie R. Kendall, and Steven P. Lipner
Respondents

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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Interests of the Amicus Curiae[1]

Amicus curiae Theis Research, Inc., holds interests in high technology voice and telecommunications patents. These do not involve the subject matter of the respondents' patent application. Theis Research is concerned for the interests of inventors of breakthrough technologies and the importance of the patent system to the Nation's economy.

So why would Theis Research side with the government in this case against parties who applied for a patent for their claimed invention? Because the Federal Circuit's lack of deference to the patentability determinations of the Patent and Trademark Office (PTO) has flooded the patent system with uncertainty—casting a chilling effect on the inventive community, investment, and the marketing of new technologies.

Theis Research recently petitioned this Court for certiorari in *Theis Research, Inc. v. Octel Communications Corp. et al.* (no. 97-1773, cert. denied June 26, 1998, rehearing denied August 12, 1998). The certiorari petition in *Theis Research* addressed the uncertainty and unpredictability infused into the patent system by the Federal Circuit's approach to patentability (patent validity) challenges asserted in patent infringement and declaratory judgment actions. The Federal Circuit refuses to accord deference to patentability determinations that have already been made by the PTO, holding those questions open for de novo litigation between private parties. Also, the Federal Circuit's standard for reviewing jury verdicts of patent invalidity for obviousness has devolved to a highly deferential "substantial

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[1] This brief is submitted with the consent of the parties. It was not authored, in whole or in part, by counsel for a party. No monetary contribution to its preparation or submission was made by any person or entity other than Theis Research, Inc., its counsel, and Law Practice Interests LLC, a non-equity investor in Theis Research.

evidence" test,[2] further eroding consistency from the patent system.

This case involves the rejection of a patent application by the PTO (Board of Patent Appeals and Interferences) on the ground of obviousness—the very same patent validity issue in the *Theis Research* case.[3] In this case, the Federal Circuit reversed under a searching clear error standard. The outcome of this case turned on the Federal Circuit's refusal to review the PTO's determination under the more deferential standards of the Administrative Procedure Act (APA)(5 U.S.C. § 706(2)(E) substantial evidence, 5 U.S.C. § 706(2)(A) arbitrary, capricious, abuse of discretion). Govt. cert. pet., app., 2a-3a.

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[2] As stated by the Federal Circuit in the *Theis Research* case (1997 West Law 697288): "TRI's arguments do not overcome its heavy burden of demonstrating that there is no substantial evidence from which a reasonable jury could conclude that the claimed invention would have been obvious from the prior art." *Theis Research* cert. pet. appendices at A-7.

See also U.S. Surgical Corp. v. Ethicon, Inc., 103 F.3d 1554, 1559 (Fed. Cir. 1997)(whether "there was substantial evidence whereby a reasonable jury could have reached the verdict reached by this jury"; "that minimum quantum of evidence from which a jury might reasonably afford relief").

The substantial evidence test does not even consider any contrary determination by the PTO—the test only considers whether the evidence that supports the verdict of invalidity is "substantial."

[3] Under 35 U.S.C. § 103(a), the PTO does not issue a patent for any claimed invention it determines to have been "obvious." The "obviousness" test compares the claimed invention with the "prior art" (generally, the public or unprotected information available at the time of the invention) and asks whether the invention as a whole would have been obvious to a person having ordinary skill in the subject matter.

The *Theis Research* rehearing petition addressed the paradox that permeates the entire patent system as a result of the Federal Circuit's refusal in this case to apply to PTO determinations the highly deferential "substantial evidence" standard of review that it accords to jury verdicts of invalidity (as in the *Theis Research* case). Thus, for highly technical and legally complex determinations of patentability, the Federal Circuit gives the most deference to those least knowledgeable (juries) and the least—or *no*—deference to those most knowledgeable (the PTO). Though disappointed that the Court did not grant certiorari in *its* case, Theis Research urges the Court to address in this case the upside-down jurisprudence of the Federal Circuit.

Specifically, Theis Research respectfully requests that the Court grant review of this case and address the larger picture—providing guidance on appropriate judicial deference to PTO administrative determinations that also has application in patent infringement and declaratory judgment actions.

Argument Supporting Certiorari

The Federal Circuit's refusal to follow the judicial review standards of the APA when reviewing administrative determinations of patentability by the PTO, and its resistance to apply in the context of patent law the doctrine set forth by this Court in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), are anomalous and without justification.[4] *See* Craig Allen Nard, *Deference, Defiance, and*

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[4] To reach its conclusion that the judicial review standards of the APA do not apply to its review of the PTO's administrative determinations concerning patentability, the Federal Circuit employed a perplexing interpretation of the legislative history of the APA. An

the Useful Arts, 56 Ohio St. L.J. 1415 (1995).

There is no better time to review the issue presented by this case. There is no reason to expect that at any time in the foreseeable future another Court of Appeals decision will reconsider the refusal to apply APA standards to judicial review of patentability determinations. First, the Federal Circuit has exclusive appellate jurisdiction in patent cases. 28 U.S.C. § 1295(a)(4). Second, this case was decided by the Federal Circuit en banc and without dissent. Third, and most telling, the Federal Circuit issued an expansive assertion of its own authority in derogation of the statutory role of the PTO.

The demarcation of authority between the Federal Circuit and the PTO should be decided by this Court. Does the *Chevron* doctrine apply to administrative determinations of patentability? The technical and scientific complexities that frequently determine patentability make it hard to contemplate a program better suited to administrative expertise. By insisting on reviewing patentability according to its "own reasoning" instead of deferring to the reasoning of PTO patent examiners, however, the Federal Circuit has set itself up as a super examiner. *See* govt. cert. pet., app., 3a, 25a. Such an allocation

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early version of the APA legislation contained an express exclusion as to the (then) Patent Office. Govt. cert. pet., app., 7a. This exclusion was removed before the final version of the APA was enacted. Instead of making the customary interpretation that the exclusion should not be inferred after it has been explicitly omitted by Congress from the final version of the legislation, the Federal Circuit cited the prior existence of this exclusion in the early version of the legislation as reason to imply an exclusion of the Patent (and Trademark) Office from the reach of the APA standard of review. Govt. cert. pet., app., 8a-9a. To summarize the Federal Circuit's "logical" construct: if not A, then A.

of administrative and judicial responsibilities is worse than duplicative, it fails to recognize the appropriate role and expertise of each branch.

In both appeals from patent application denials and infringement/declaratory judgment actions, the Federal Circuit's lack of deference to PTO determinations invites litigation. An unsuccessful patent applicant is encouraged to ignore the reasoning of the administrative finding and litigate an appeal. A successful patent applicant is often in a worse position. Others are encouraged to litigate the validity of the patent by the same knowledge that the administrative finding will be ignored. (Notwithstanding the statutory presumption of the validity of an issued patent, exceedingly complex patentability questions are tried to juries de novo based on private expert witness testimony without any appearance by—let alone deference to—the PTO.)[5]

The common thread in both types of cases is the Federal Circuit's misguided view that the patentability/validity determinations already made by the PTO should be redone—by a jury (the *Theis Research* case) or, if a jury is not available to be saddled with this task, by the Federal Circuit itself (this case). Either way, the Federal Circuit invites litigation to reopen the questions. The determinations of the PTO—both as to patents issued and applications denied—have become meaningless.

In its en banc decision in this case, the Federal Circuit erroneously anticipates that its approach "will preserve the confidence of inventors who have relied on this standard in

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[5] The Federal Circuit's misapplications of standards of review is all the more dismaying given the statutory prescription that an issued patent carries a presumption of validity; no such presumption applies where a patent has not been issued. *See* 35 U.S.C. § 282.

prosecuting their patents. It will also promote consistency between our review of the patentability decisions of the board and the district courts in infringement litigation." Govt. cert. pet., app., 26a. As noted, a patent applicant who is successful before the PTO has no reason for confidence in an administrative decision that commands little respect from the Federal Circuit. Moreover, the Federal Circuit's frequent application of a highly deferential "substantial evidence" test to jury verdicts of patent invalidity belies the suggestion that the Federal Circuit would actually "promote consistency" by redoing the PTO's work when reviewing appeals from application denials.

Instead, the lack of deference to PTO patentability determinations has had the opposite effect—stripping reliability and predictability from the patent system. If PTO patentability determinations are not to be taken seriously, we may as well not have a patent system at all—just de novo litigation of "priority of invention" claims. Such a decision should be made by Congress, not the Federal Circuit.

Conclusion

Theis Research, Inc., as amicus curiae, respectfully requests that the Court grant the government's petition for a writ of certiorari and, in deciding this case on the merits, provide guidance on appropriate judicial deference to PTO administrative determinations that has application in patent infringement and declaratory judgment actions as well as in appeals from patent application denials.

Respectfully submitted,

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October 1, 1998